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THE DISTRIBUTION OF STUDENT FINANCIAL AID:

TRENDS AMONG THE POSTSECONDARY SECTORS

Dr. John B. Lee
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Funding for this project provided by the Exxon Education Foundation

Foreword

This report has been prepared to provide background information on the distribution of student financial assistance among the various sectors of postsecondary education. Its purpose is to enhance discussions of student aid policy by providing information on the ways in which prior policy decisions have affected the distribution of student aid.

The report includes the best information that could be obtained on the distribution of individual student aid programs. The reader should note, however, that comparable data are not available for every student aid program (for example, the information on GSL borrowers is not nearly as comprehensive as that available for Pell Grant recipients).

Among the key findings of this report are that:

- the distribution of student assistance has undergone considerable shifts in the past ten years, due in large part to the rapid growth of the proprietary sector;
- the elimination of Social Security and Veterans Administration support for students has had a substantial impact on the mix between loans and grants; and
- the maximum and and average financial aid awards in the various programs have not kept pace with inflation.

The American Council on Education is grateful to the Exxon Education Foundation for its support of this project.

Elaine El-Khawas
Vice President for
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INTRODUCTION

From time to time, it is important to review the distribution of student aid among the various sectors of postsecondary education. This type of review can provide valuable insight into how the student aid programs are working and the students they are serving. As debate on the reauthorization of the Higher Education Act intensifies, the distribution of student aid among the various sectors of postsecondary education will be an important component of the ensuing policy discussions.

This study assesses the distribution of federal student aid funding in five sectors of postsecondary education. The five sectors are:

- o proprietary schools,
- o two-year public colleges,
- o four-year public colleges and universities,
- o two-year non-profit independent colleges, and
- o four-year non-profit independent colleges and universities.

Changes by sector are examined for the period from 1975 to 1984. It should be noted that, after adjustments for inflation, total federal student assistnce declined during this period. Expressed in constant 1983 dollars, the total amount of federal aid awarded to students in 1975 was $15.9 billion; in 1984 it was $13.5 billion. The two years with the highest usage were 1976, with $17.5 billion, and 1977, with $17.8 billion. After these years the total amount of federal aid was lower, with the smallest disbursement occurring in 1983, $13.4 billion. In contrast, postsecondary enrollment increased between 1974 and 1983, except in 1975 when total higher education enrollment fell by 180,000 students.

In all, eight student aid programs are examined in this report: the Pell Grant program; the Supplemental Educational Opportunity (SEOG) grant program; the National Direct (NDSL) and Guaranteed Student Loan (GSL) programs; the College Work-Study (CWS) program; Social Security Administration (SSA) dependents benefits; and Veterans Administration (VA) educational benefits. The first five programs are administered by the Department of Education (ED). State grant aid associated with the federally sponsored State Student Incentive Grant (SSIG) program is also examined.

Data on student aid disbursements were obtained from the appropriate program offices within these agencies. Data on enrollment were obtained from the October series of the Current Population Surveys (CPS) conducted each year by the Census Bureau.

As a general rule financial data used in this study have either been adjusted for inflation to make multi-year data comparable or the appropriate inflation factor is provided so that readers may make the comparison for themselves. Data applicable to a school year have been adjusted using the Consumer Price Index (CPI) for the calendar year in which the beginning of the school year occurs (e.g., the 1976 annual average CPI was used to adjust 1976-1977 school year data).

FEDERAL FUNDING OF STUDENT AID

This portion of the report examines the total amount of student aid distributed under the major federal assistnce programs. Table 1 reports the amounts of aid distributed under seven federal student aid programs for the period from 1975 (school year 1974-1975) to 1984. Included in the reported amounts are any institutional contributions under matching provisions. The aid is divided into two categories; under grant aid are the amounts disbursed under the SSA, VA, Pell, and SEOG programs. CWS, NDSL and GSL are reported under the self-help category because the student incurs an obligation when receiving money under these programs. CWS recipients must earn the money through part-time work; NDSL and GSL recipients must repay both principal and interest on the loans they accept.

Three dominant patterns are evident in the distribution of federal student aid over this period. First, since 1982 federal student aid is more likely to be self-help than grants. This is the result of the sharp decline in the number of SSA and VA grants distributed in the last few years and the sharp increase in GSL utilization beginning in 1981. Moreover, funding for Pell and SEOG grants has not grown sufficiently to overcome the decline in non-ED grant programs.

The second pattern evident from the table is the increasing concentration of student aid programs within the Education Department's need-based programs. Although all of the ED programs have existed for over a decade, it was not until 1978 that these programs constituted over 50 percent of the aid distributed. Prior to that year, more aid was distributed on the basis of entitlement than on the basis of need. Both the SSA and the VA distribute aid on the basis of the recipients' belonging to certain classes of citizens (e.g., to veterans or to dependent survivors of Social Security contributors). However, it is believed, although definitive data do not exist, that the majority of recipients under these two programs do come from lower-income families. These programs are being phased out; in 1975, VA and SSA grants comprised 66 percent of the $7.88 billion distributed under the seven programs, while in 1984 they comprised only 10 percent of the $13.55 billion distributed.

The third pattern evident in the table is that, since 1975, the increases in funding for the seven programs have not kept

pace with inflation. The last row of Table 1 shows the total amount of aid distributed in each year after restatement in 1983 dollars. The annual average Consumer Price Index (CPI) has been used to inflate the earlier year amounts. In terms of purchasing power, then, the aid distributed in 1977 represents the greatest amount of aid distributed by the federal government. Within this period, the smallest amount distributed was in 1983. Amounts for CPI-adjusted aid increased between 1979 and 1982; this was largely due to the greater GSL utilization that temporarily occurred when the Middle Income Student Assistance Act of 1978 eliminated the family income ceiling for GSL eligibility. The reimposition of the ceiling as of October 1, 1982 is evident in the decline in new loan volume in 1983.

Table 1

Trends in Major Federal
Student Aid Programs
1975 - 1984
(in billion $s)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Grant Aid										
SSA	1.05	1.23	1.39	1.39	1.48	1.64	1.95	1.60	.70	.20
VA	4.16	5.03	4.23	3.03	2.45	2.07	1.97	1.47	1.39	1.15
Pell	.35	.91	1.45	1.51	1.54	2.36	2.39	2.31	2.37	2.80
SEOG	.20	.20	.24	.24	.27	.33	.37	.37	.34	.35
Sub-Total	5.76	7.37	7.31	6.17	5.74	6.40	6.68	5.75	4.80	4.50
Self-help										
NDSL	.68	.46	.56	.62	.64	.65	.70	.69	.60	.54
CWS	.30	.30	.44	.47	.49	.60	.66	.59	.63	.58
GSL	1.14	1.30	1.83	1.54	1.96	2.98	4.84	7.82	6.93	7.93
Sub-Total	2.12	2.06	2.83	2.63	3.09	4.23	6.20	9.10	8.16	9.05
Total	7.88	9.43	10.14	8.80	8.83	10.63	12.88	14.85	12.96	13.55
1983 $ Total	15.92	17.45	17.75	14.43	13.51	14.56	15.58	16.34	13.35	13.55

Sources: Agency Program Offices

Notes: -Table years correspond to end of school year

-Student aid funds attributed to the school year in which students received them

-GSL, NDSL values are new loan values

-Calendar year CPI used to inflate student aid totals to 1983 dollars (e.g. 1974 CPI used for 1974-1975 school year).

THE SECTORAL BALANCE OF STUDENT AID

Postsecondary students receive assistance in meeting the cost of attending school from several sources beyond the seven reviewed above. Indeed, federal policy dictates that the family (including the student) is the primary source of support. Schools also offer some student aid from their own resources and all state governments provide student aid beyond that which all public school students receive in the form of tax-subsidized tuition charges. To the degree that the data permit, this section reviews how student aid from several sources is distributed by sector and the number of recipients who are aided in each sector. The VA and SSA programs are only briefly reviewed here as it is not possible to determine where the recipients attended school. Philanthropic aid that is distributed directly to recipients is also not covered.

Pell Grants

Pell grants were created through the Education Amendments of 1972. Initial eligibility for the grants was phased in so that all undergraduates were eligible beginning in 1977. Thus, the amount of Pell aid distributed during the years 1974-1976 represents the start-up period for the program (see Table 2).

Notable on the table is the sharp increase in Pell program funding from 1979 to 1980. This 53 percent increase in one year reflects the relaxing of the family income requirements for program eligibility contained in the Middle Income Student Assistance Act of 1978 (MISAA). The number of Pell recipients increased by 42 percent during this time. Also attributable to MISAA's expanded eligibility is the somewhat greater percentage increase in the amount expended by students at independent colleges than by public college students over the period. Two-year public colleges had a 1.8 percent smaller share of the Pell grant total in 1980 than in 1979 and 4-year public colleges had 0.2 percent less. Four-year independent colleges and proprietary institutions gained 1.5 percent and 0.5 percent respectively (Tables 2 and 3).

Also notable in both tables is the sizeable increase in Pell grant utilization at proprietary schools over the entire period. The total number of dollars in this sector increased

Table 2

Distribution of Pell Grant
Aid By Sector
(x 1,000,000)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Total	$47	$349	$911	$1,449	$1,512	$1,541	$2,358	$2,385	$2,308	$2,372	$2,804
2-year Public	12	94	239	342	343	296	411	445	433	444	520
4-year Public	20	142	359	629	653	662	1,009	981	938	825	1,063
2-year Independent	2	11	28	37	38	46	70	69	62	69	79
4-year Independent	11	75	203	322	343	394	639	617	564	554	611
Proprietary	3	27	82	120	134	143	227	213	312	382	531

Source: Pell Office, OSFA

In current dollars. CY 1976 - CY 1983 inflation increase = 75.0 %

Table 3

Shares of Pell Grants By Sectors

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Total											
2-year Public	25.5	26.9	26.2	23.6	22.7	19.2	17.4	18.7	18.8	18.7	18.5
4-year Public	42.6	40.7	39.4	43.4	43.2	43.0	42.8	41.1	40.6	34.8	37.9
2-year Independent	4.3	3.2	3.1	2.6	2.5	3.0	3.0	2.9	2.7	2.9	2.8
4-year Independent	23.4	21.5	22.3	22.2	22.7	25.6	27.1	25.9	24.4	23.4	21.8
Proprietary	6.4	7.7	9.0	8.3	8.9	9.2	9.7	8.9	13.5	16.1	18.9

Source: Table 2

from $120 million in 1977 to $531 million in 1984, an increase of 342 percent. Proprietary schools' share of these dollars increased by 128 percent. By 1984, in fact, proprietary students were using more Pell aid than were students at 2-year public colleges. The increase in Pell usage in this sector can be explained in part by the increasing number of schools that became eligible for participation in the program due to accreditation. In 1977, 1,705 participating proprietary schools comprised 35 percent of the Pell institutions. In 1984 the 2,097 proprietary schools were 40 percent of the universe. Enrollments at eligible proprietary schools increased by more than 43 percent during the period as compared to nearly 13 percent for all of postsecondary education.

Overall funding for Pell grants increased faster than the inflation rate between 1977 and 1984, although the size of maximum Pell grant did not keep pace with inflation (see Table 4). While total Pell funding increased by 94 percent during this period and the maximum award rose by 36 percent, inflation during this time was measured at 75 percent. However, the pattern varies by sector: only the independent and proprietary schools saw their total Pell dollars increase faster than inflation. Pell funds increased by 52 percent and 69 percent at 2-year and 4-year public institutions, and by 11 percent and 90 percent at 2-year and 4-year independent colleges, respectively. From a small base, Pell funds at proprietary institutions increased by 342 percent.

Table 4

MAXIMUM PELL GRANT AWARDS 1978-84

Academic Year	Maximum Pell Grant
1977-78	$1,400
1978-79	$1,600
1979-80	$1,800
1980-81	$1,750
1981-82	$1,670
1982-83	$1,800
1983-84	$1,800
1984-85	$1,900

Source: U.S. Department of Education

Assessed in terms of the share each sector received of total funds, only the proprietary schools (up 128 percent) and 2-year independent colleges (up 8 percent) had increases. The other sectors had lower shares of Pell funds in 1984 than they had in 1977, with the 2-year public colleges losing the most, nearly 22 percent of their earlier share.

Table 5 provides an overview of the changes in numbers of Pell grant recipients. In 1984 there were 850,300 more Pell grants awarded than was the case in 1977, an increase of 44 percent. As discussed above, the proprietary sector had the largest share of this increase, growing by 312,900 recipients, or 182 percent over the eight years examined. Their increase in recipients, when put in terms of the share of all recipients, came at the expense of the public sector, which gained only 360,200 recipients over the period. This represents a 24 percent increase at the 2-year public colleges and a 27 percent increase at the 4-year public institutions. This is approximately half the increase they would have had if they had maintained their 1977 share of recipients.

While the total number of recipients increased by 44 percent between 1977 and 1984, the size of the average award increased by only 33 percent, at a time when inflation as measured by the Consumer Price Index (CPI) increased by 75 percent. Average awards were $745 in 1977 and $991 in 1984. The proprietary sector had the largest increase in average award size, $390 or 56 percent, between 1977 and 1984. The other four sectors experienced below average increases in terms of percentage change. In absolute dollars, however, both the 4-year public and independent colleges had slightly above average increases (Table 6).

It should be noted that increases in tuition and fee charges in the proprietary sector do not account for the increase in the size of the average Pell awards at proprietary schools over the period. Data from the office administering Pell grants indicate that fees in this sector increased by 35 percent between 1977 and 1984 while fees at the universe of Pell institutions increased by 45 percent.

Campus Based Aid (CWS, NDSL, SEOG)

The campus-based student aid programs include College Work-Study (CWS), Supplemental Educational Opportunity Grants (SEOG), and National Direct Student Loans (NDSL). The campus-based programs are so called, because campus aid

Table 5

Number of Pell Grant Recipients
By Sector
for Selected Years
1975 - 1984
(x 1,000)

	1977	1979	1981	1984
2-year Public	575.8	483.3	720.1	716.1
4-year Public	811.6	809.2	1,157.4	1,032.5
2-year Private	42.7	46.1	63.5	64.4
4-year Private	341.5	376.5	569.4	497.2
Proprietary	172.4	180.0	295.0	485.3
Total	1,945.9	1,895.5	2,805.5	2,796.2

Source: Pell Program Office, OSFA

Table 6

Average Pell Award

	1974-75	1976-77	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Public								
2-year	$572	$593	$ 603	$ 634	$ 608	$ 599	$ 600	$ 715
4-year	646	774	817	873	847	849	946	1,029
Private								
2-year	656	861	911	990	932	917	1,034	1,097
4-year	701	943	1,033	1,097	1,068	1,016	1,149	1,208
Proprietary	395	692	785	883	916	919	1,040	1,082
Total	538	745	805	868	841	927	928	991

Source: Pell Program Office

Note: Average awards not CPI adjusted.

CY1976-1983 inflation increase = 75.0%

administrators have a great deal of freedom in selecting students who receive aid from these programs and the size of the awards they receive. Schools apply annually for campus-based funds and receive annual allocations from each program (if they choose to participate in all three programs). Student eligibility for these programs is determined via a federally approved need assessment. Administrative reporting on these programs is done within a single system (FISAP) that requires schools to report on the packaging of aid among the three programs.

For the more recent years, it is possible to determine what the combined campus-based award was for the average student. Students often receive aid from more than one source when they receive aid at all. Consequently, combined or packaged data provide a better representation of how aid is distributed than the data on individual programs. The data reported below suggest that institutions are awarding the available aid in larger packages and giving those packages to fewer students.

The analyses reported here use the total amount of aid distributed under the campus-based programs. It should be noted that the NDSL and CWS programs also allow participation of graduate students. In 1983, graduate students received 10 percent of the dollars in these programs, a decline from the 12 percent they received in 1980. Self-supporting students received 26 percent of the campus-based aid in 1983. These amounts are not subtracted from the totals reported below because the break-outs for earlier years are not available.

The total number of dollars available for use in the campus-based programs equalled $1.21 billion in 1975. It rose to $1.73 billion in 1981 and then fell to an estimated $1.47 billion in 1984. Between 1975 and 1984, then, funds available had increased by 22 percent (not correcting for inflation). The amount of SEOG funds available to students increased by 75 percent, from $200 million to $350 million. New loan volume under the NDSL program decreased by 21 percent, from $680 million to an estimated $560 million. CWS funding increased the most, by 93 percent, from $300 million to $580 million (see Table 1).

Table 7 reports the distribution of campus-based aid by sector. Between 1977 and 1984 the programs grew by a combined 33 percent, less than the comparable inflation increase of 75 percent. As was the case in the Pell program, proprietary schools had the greatest increase in the number of aid dollars. The eligibility of proprietary institutions for program participation was expanded several times in this period.

Table 7

Distribution of Campus-Based
Aid by Sector
(x 1,000,000)

	1974	1975	1976	1977	1978	1979	1980	1981	1982
Total	$918	$1,175	$956	$1,239	$1,328	$1,394	$1,574	$1,723	$1,643
2-year Public	109	155	113	147	152	154	162	175	162
4-year Public	450	566	449	585	623	625	683	752	665
2-year Independent	19	29	21	25	27	29	27	29	23
4-year Independent	330	396	334	420	449	492	617	679	636
Proprietary	10	29	40	61	76	96	83	88	81

Source: Program Offices

Notes: Current dollars. CY 1973 - CY 1981 CPI increase equals 104.7%

Table 8

Share of Campus-Based Aid
by Sector

	1974	1975	1976	1977	1978	1979	1980	1981	1982
2-year Public	11.9	13.2	11.8	11.9	11.4	11.0	10.3	10.2	10.3
4-year Public	49.0	48.2	47.0	47.2	46.9	44.8	43.4	43.6	42.4
2-year Independent	2.1	2.5	2.2	2.0	2.0	2.1	1.7	1.7	1.5
4-year Independent	35.9	33.7	34.9	33.9	33.8	35.3	39.2	39.4	40.6
Proprietary	1.1	2.5	4.2	4.9	5.7	6.9	5.3	5.1	5.2

Source: Table 7

In dollar terms, however, the 4-year public and independent institutions still gained the majority of the increased funding that has been seen in these programs. Compared to enrollment, the independent sector has received much more of the campus-based funds than has the public sector. That is, while representing only 20 to 22 percent of enrollment, the independent sector has attracted approximately 40 percent of the aid dollars available through the campus-based programs.

When shares of total funds are compared (Table 8), it is clear that the 4-year institutions dominate these programs. Public institutions have had a share ranging between 49 percent and 42 percent. Independent colleges and universities increased their share from 36 percent to 41 percent over these years. The 4-year independent and the proprietary sectors were the only sectors to gain in their share of available campus-based aid. The overall shift between these sectors and the other three sectors equals 8.8 percent. Proprietary institutions gained 4.1 points of share and 4-year independent colleges gained 4.7 points. The biggest loser in share was the 4-year public sector, losing 6.6 points over the time period. The reason for these shifts was not assessed in this study, it may well be found in the changes made in the program allocation formulas which drive the amount of aid each institution receives.

Table 9 shows that the total number of recipients under the three programs has grown faster than the number of unduplicated recipients -- students receiving aid from one or a combination of these programs. In 1980 there were approximately 25 percent more aid awards in the three programs than there were aid recipients. By 1983, this difference had grown to approximately 47 percent; the larger the difference, the more students who are receiving aid from more than one of the campus-based programs. The 33 percent increase in the average unduplicated award coupled with a decline of 26 percent in the total number of recipients bears this out.

The only program that gained in number of recipients over this four-year period was the SEOG program, where average awards declined by 2.7 percent. The other two programs experienced declines in the number of recipients and increases in the sizes of the awards made.

There were 482,400 fewer students receiving campus-based aid in 1983 than there were in 1980 (unduplicated count). The concentration of awards among a smaller number of students,

Table 9

Distribution of Campus-Based Awards

	1980	1981	1982	1983	1980 - 1983 Diff	1980 - 1983 % Change
NDSL $ (M)	$ 650.8	$ 693.5	$ 580.2	$ 595.2	-$ 55.6	- 8.5%
# Recipient (K)	958.3	813.4	684.1	674.1	- 284.2	-29.7
Average Award ($)	679.0	853.0	848.0	883.0	+ 204.0	+30.0
SEOG $ (M)	336.2	367.8	316.6	343.0	+ 6.8	+ 2.0
# Recipient (K)	606.0	716.5	658.9	635.7	+ 29.7	+ 4.9
Average Award ($)	555.0	513.0	480.0	540.0	- 15.0	- 2.7
CWS $ (M)	601.5	660.2	624.0	630.3	+ 28.8	+ 4.8
# Recipient (K)	925.7	819.1	739.3	721.0	- 204.7	-22.1
Average Award ($)	650.0	806.0	844.0	874.0	+ 224.0	+34.5
Summary $ (M)	1,588.5	1,721.5	1,565.8	1,568.4	- 20.1	- 1.3
# Recipient (K)	1,858.4	1,493.3	1,403.7	1,376.0	- 482.4	-26.0
Average Award ($)	855.0	1,153.0	1,115.0	1,140.0	+ 285.0	+33.3

Source: Division of Policy and Program Development, OSFA

given the degree of institutional latitude in tailoring these awards, suggests that institutions may be helping their neediest students at the expense of less needy students.

Guaranteed Student Loans

The Guaranteed Student Loan program was created in 1965 as a part of the Higher Education Act. Its original provisions were modeled on loan programs established in earlier years within the private sector. In these programs, schools, philanthropies, and the business community were asked to contribute to a reserve fund that was then used to guarantee loans made by banks and other financial institutions to students. These programs did not have in-school deferments, nor did the loans carry a subsidy beyond the one inherent in the guarantee. That is, lenders often reduced the interest rate they charged to students because they were protected against the chance that students might default on their repayments.

These private-sector loan programs, the vast majority of which were associated with individual colleges and universities, probably would not have survived without additional help after 1965, as interest rates rose along with inflation. When interest rates were stable and in the range of 2 to 4 percent, these programs could effectively serve their limited clientele. When interest rates moved above these levels, students would not be able to meet the in-school repayment burdens.

The creation of the GSL program was designed to make it possible for students at all schools to borrow under terms that they could meet. It was put in place expressly to meet the needs of middle-income families and, until recently, it has been largely those students who have used GSLs as a means to pay for their education. Lower-income and minority students were less likely to borrow in order to go to school. Recent data from the UCLA/ACE Cooperative Institutional Research Program (CIRP) freshmen surveys indicate that students from lower-income families now are as likely to borrow as wealthier students and that loans are coming within striking distance of equalling grant aid as means for their support in college.

The number of GSL recipients has increased from 89,000 in 1966 to 3.43 million in 1984. The highest number of loans were written in 1981, 3.54 million. This was due in part to the attractiveness of the low-interest GSLs during a period of high consumer interest rates and the increasing number of lenders making GSLs. The total amount loaned in 1981 was $7.82

billion, up from $4.84 billion in 1980. In 1984 this amount was exceeded with new loan volume reaching $7.93 billion.

Unfortunately, given the size and impact of this program, no data are available to describe precisely who borrows and where they go to school. However, examination of the figures on loan volume in Table 1 suggests that new borrowers are coming into the program. Thus, the removal of the income ceiling increased the number of borrowers by 1.23 million, but reimpositon of the ceiling lowered the number of borrowers by only 750,000. By 1984 the number of borrowers was only 100,000 less than the 1981 total. This pattern suggests that there are greater numbers of lower-income borrowers than was the case in earlier years.

Assistance to Veterans

Veterans are the largest class of citizens to receive student aid. At the end of World War II, campuses filled up with returning soldiers to continue the education that had been interrupted by the war. The G.I. Bill served as a powerful inducement for these, primarily, men to increase their skills before entering the job market. At the time it was believed that the G.I. Bill also served the secondary function of keeping many veterans out of an already crowded job market. There was great uncertainty whether or not the Depression would reappear. The economy grew robustly, of course, making the employment prospects of the veterans a moot issue.

With the coming of the Korean and Vietnam Wars, the G.I. Bill was amended to serve the needs for readjustment of the most recent groups of veterans. The last assistance under this Act will be distributed in 1989, 13 years after the last soldier became eligible for aid. Soldiers since 1976 have had a modified education plan available to them under which the federal government matches their in-service contribution $2 for $1. This program is just getting underway with $55.4 million (including the recipients' contributions) having been distributed in school year 1984. In 1982, the total equalled only $19.2 million. These figures are not included in the Table 2 totals for VA.

The number of recipients of Veterans' Educational Benefits grew from 2.69 million in 1975 to 2.82 million in 1976 and thereafter declined dramatically to 0.78 million in 1982. These numbers include enrollment in institutions of higher education, as well as in vocational and training programs. The decline in enrollment on the part of veterans that began in the mid-1970s

was occasioned by the loss of eligibility on the part of Korean War veterans and the progressive disenfranchisement (ten-year rule) of Vietnam veterans.

The average amount of assistance received by veterans increased from $1,500 in 1975 to $1,900 in 1982, a nearly 27 percent increase during the period when inflation increased more than 84 percent. Even though educational assistance from the VA did not keep pace with inflation, the aid provided was significant because veterans were eligible for other assistance. In addition, their VA benefits were partially protected from inclusion in the need analyses used to determine the amount of additional student aid for which they might qualify.

The total amount of veterans' benefits distributed is reported in Table 1. In the peak year, 1976, $5.03 billion was distributed to veterans, a 21 percent increase over the 1975 amount. Between 1976 and 1984 the total aid distributed declined by 77 percent to $1.15 billion.

Social Security Benefits

The Social Security Administration provided the largest average benefit to recipients during the study period. Because of the inflation-indexed nature of this program, students between 18 and 21 years of age who were eligible for SSA assistance were receiving approximately $3,300 per year in 1983. In 1975, they had received approximately $1,700. This assistance had increased 94 percent while inflation increased by nearly 96 percent.

Individuals gained eligibility for SSA educational benefits due to either the retirement, disablement, or death of a parent who had contributed to the Social Security retirement program. The size of their benefits was determined by the amount the student's parent had contributed to SSA.

The total number of beneficiaries increased from 774,000 in 1975 to 817,000 in 1977 and then declined to an estimated 173,000 in 1984. Total benefits increased from 1975 to 1981, $1.05 billion to $1.95 billion, but by 1984 had declined sharply to $0.20 billion. The program will cease operations with the current (1984-85) school year. The loss of this program, particularly the size of the annual benefits, will be a major loss for students who might have become eligible.

State Grant Aid

Most state-sponsored direct financial aid for postsecondary students is concentrated in relatively few states. Over 70 percent of the 1983 need-based state aid -- $1.08 billion -- was distributed by only eight states. New York State alone distributed $327.3 million to needy undergraduates.

The federally sponsored State Student Incentive Grant program (SSIG) provides matching ($1 : $1) funds to states that maintain need-based student aid programs. The states use their own criteria for need. Approximately $76 million in federal funds was distributed to the states under this program in 1983. The National Association of State Scholarship and Grant Programs (NASSGP) reports that nine states contributed only the minimal amount in funds to meet the federal matching requirement. All other states contributed more, with 20 states appropriating at least $2 for each $1 of SSIG funds.

Students at independent colleges receive a disproportionate share of state grant aid, as compared to their share of postsecondary enrollments. Since 1977, though, public college students have received the largest portion of state grant assistnce (see Table 10). SSIG-related state aid increased from $440.8 million in 1975 to $1,077 million in 1983, an increase of 144 percent. After adjustment for inflation, this was an increase of 21 percent. Proprietary school students receive only a small (2 to 3 percent) share of these funds.

Institutional Aid

Institutions that participate in the National Center for Education Statistics' Higher Education General Information Survey (HEGIS) annually report the amount of institutional funds expended on scholarships and fellowships. Table 11 reports these expenditures in the context of total institutional expenditures and of total expenditures for instruction. An insufficient number of proprietary schools report within HEGIS for meaningful use of the information on this sector.

The HEGIS data indicate that total expenditures in the other four sectors did not increase with the pace of inflation, despite enrollment increases. Given this general pattern, it is notable that the level of effort in maintaining student aid at independent colleges and universities kept approximate pace with inflation. Two-year independent colleges increased their

Table 10

Distribution of State
Student Aid by Sector

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Public Institutions	212.9	226.5	319.2	386.9	397.0	439.2	440.1	545.4	635.4	628.5	725.6
2-year	56.9	42.3	75.6	73.7	83.7	93.4	95.2	125.3	171.2		
4-year	156.0	184.2	243.6	313.2	313.3	345.8	345.0	420.1	464.2		
Private Institutions	220.0	270.4	314.6	330.2	376.4	404.6	411.3	398.0	415.7	406.9	469.8
2-year	7.1	7.7	15.0	50.1	15.0	15.6	15.7	13.5	22.6		
4-year	212.9	262.8	299.6	280.1	361.5	389.0	395.6	384.5	393.1		
Other Nonprofit	1.8	1.5	4.6	1.5	1.6	8.6	5.2	5.8	25.8		
Proprietary (for profit)	6.2	11.7	13.0	18.4	14.2	12.1	16.6	14.5			
Totals (millions$)	440.8	510.2	651.4	737.0	789.2	864.5	873.3	963.6	1,077.0	1,035.4	1,195.4

Source: SSIG Program Office, OSFA; NASSGP for last 2 years

Notes: Breakout of "other nonprofit" and "proprietary (for profit)" not available for 1982-83

1983-84 and 1984-85 are estimates. Does not include other non-profit and proprietary

Table 11

Selected Institutional
FTE Expenditures by
Type and Control
1977, 1982

	Public						Private					
	2 Year			4 Year			2 Year			4 Year		
Category	1977	1982	% Inc.	1977	1982	% Inc.	1977	1982	% Inc.	1977	1982	% Inc.
Instruction	$1,091	$1,533	+40.5% (-12.0%)	$1,956	$2,992	+53.0% (-4.3%)	$ 859	$1,256	+46.2% (-8.5%)	$2,035	$3,157	55.1% (-2.9%)
Scholarships	64	63	-1.6 (-38.2)	183	226	+23.5 (-22.6)	164	272	+65.9 (+3.8)	491	774	57.6 (-1.4)
Total Expenditures	2,279	3,229	+41.7 (-11.3)	5,939	9,144	+54.0 (-3.7)	2,803	4,269	+52.3 (-4.7)	7,458	11,542	54.8 (-3.2)

Source: HEGIS

Note: -Dollar values not adjusted for inflation. CY1976-1981 CPI increase = 59.8%
-Values in parentheses are the percent change after CPI adjustment

spending for aid by 2.3 percent after adjustment for inflation. At four-year independent colleges, this spending did not keep pace with inflation (-1.4 percent).

Institutional aid in the public sector also did not keep pace with inflation. However, it is not clear how this finding should be interpreted. State policies in accounting for student aid may have changed during this period.

SUMMARY

At present, student aid administered by the U.S. Department of Education is the primary source of means tested student aid provided by the federal government. With the demise of the assistance from veterans and Social Security programs, it is almost the only source of federal student aid. This report suggests that the Education Department's student aid has come to be concentrated on a smaller fraction of students.

A number of factors have contributed to this trend. Eroding family income over most of this period has increased the demand for aid. Eased eligibility standards that were put in place over the decade (especially with the temporary change under MISAA in 1978) not only increased GSL borrowing, but also made many more students eligible for Pell grants. However, the increase in Pell program funding was insufficient to maintain growth in the average award at the level of inflation. Schools hve used their flexibility in packaging campus-based programs to offset the relative decline in aid available to individual students. This is most likely to have occurred at four-year institutions, both public and independent, since they have the greatest share of the campus-based funds.

Table 12 supports this general finding regarding federal grants. In comparison to 1977, CIRP data indicate that first-time full-time freshmen were more likely to have received grant aid in 1984 but that the amount of aid they received was less than students received in 1977. This finding holds at all income levels. Also notable is the fact that, despite the increased funding in Pell grants that accompanied MISSA, grant recipients received smaller grants in 1981 than in 1979. The proportion of students that received grants did increase by approximately 10 percent. These comparisons are based on financial values that have been restated to eliminate the effect of inflation. After adjustment for inflation, 1978 ED grant recipients were awarded an average $1,209 in 1977, $1,117 in 1981, and $1,094 in 1984.

In summary, then, the data reviewed here on the distribution of ED aid funds show that the available funds, which have not grown in proportion to demand, have been spread over a greater number of students. Average grant awards have decreased.

Recipients from families with inflation-adjusted income of under $10,000 have had their grants reduced the least. This is consistent with the Congressional intent that the most needy should bear the smaller part of the burden resulting from insufficient funding of the aid programs. Among colleges and universities, especially in the case of campus-based funds, four-year institutions account for the greater share of this aid. The proprietary institutions' share of aid is growing at a disproportionate rate. Their share of aid should continue its rapid rate of increase as more proprietary schools become eligible to participate in the Education Department's aid programs.

The distribution of state grant assistance has shifted toward public institutions. Whereas in the mid-1970s students at independent colleges received the greater share of this aid, in the last few years public college students have been receiving more than half of the funds. Proprietary schools have never received much aid from state programs. Also, it is apparant that in terms of providing aid to students from institutional resources, the independent college sector has generally kept pace with inflation, while the aid provided by public institutions has not kept pace.

Table 12

Percent Aided and Average Award from DE Grant Programs
First-time, Full-time Freshmen Dependent Students

CPI-Adjusted Family Income	1977	1981	1984
L.T. $10,000	61.1 ($1,382)	69.1 ($1,381)	67.4 ($1,332)
$10,000 - $19,999	42.8 ($1,234)	54.3 ($1,177)	55.3 ($1,135)
$20,000 - $29,999	20.0 ($1,045)	37.7 ($ 934)	30.3 ($ 913)
$30,000 - Plus	7.5 ($1,018)	12.8 ($ 908)	11.1 ($ 951)
All Dependents	22.4 ($1,209)	32.0 ($1,117)	27.7 ($1,094)

Source: UCLA, Cooperative Institutional Research Program (CIRP) Surveys

Notes: -Includes Pell and SEOG grants
-Family income stated in 1983 dollars